2021 Budget Proposed

By Jeffrey Stonehill, Borough Manager

Borough Manager Presents Budget

- Submitted herewith for your consideration is the Borough Manager's recommended 2021 budget. As is required by local law, I have prepared this document in a form that can be adopted by Town Council. The proposed 2021 operating budget is balanced; revenues and cash balances cover all necessary expenses.
- This is my eleventh budget as your Borough Manager, and although 2020 has been the most challenging fiscal year in recent history, it remains an honor to prepare this document as a strategic plan for our community.
- Our fiscal year, our budget year, is the same as the calendar year. Therefore, each fall, the Borough needs to make important decisions to set in motion for the following year.
- A budget is a plan – it is not an accounting of money, but rather a forecast of how much revenue the Borough anticipates it will collect & approved expenses. One might call it a spending plan.

Chambersburg has the largest operating budget of any Borough in the Commonwealth of Pennsylvania. In 2018, the latest year with records, Chambersburg had the 13th largest budget of any municipality.

	Largest Municipalities in Pennsylvania (2018)		County	Total Revenue	Total Expenditures	Population
1	Philadelphia	City - 1st Class	Philadelphia	$9,779,609,000	$9,432,522,000	1,526,006
2	Pittsburgh City	City - 2nd Class	Allegheny	$787,037,516	$785,023,918	305,704
3	Lancaster City	City - 3rd Class	Lancaster	$420,940,556	$326,969,893	59,322
4	Allentown City	City - 2a Class	Lehigh	$207,983,662	$203,372,775	118,032
5	Reading City	City - 3rd Class	Berks	$195,079,185	$164,195,794	88,082
6	Limerick Twp	Second Class Township	Montgomery	$150,113,946	$123,182,618	18,074
7	Bethlehem City	City - 3rd Class	Northampton	$145,838,228	$139,472,372	74,982
8	Erie City	City - 3rd Class	Erie	$136,402,938	$144,192,983	101,786
9	Harrisburg City	City - 3rd Class	Dauphin	$116,723,692	$114,375,991	49,528
10	Lower Merion Twp	First Class Township	Montgomery	$95,111,598	$100,687,391	57,825
11	Upper Darby Twp	First Class Township	Delaware	$90,548,728	$95,797,894	82,795
12	Haverford Twp	First Class Township	Delaware	$88,676,703	$81,743,270	48,491
13	Chambersburg	Borough	Franklin	$87,563,243	$90,542,005	20,268
70	Carlisle	Borough	Cumberland	$26,888,809	$24,351,366	18,682
269	Waynesboro	Borough	Franklin	$8,934,964	$9,410,544	10,568
294	Shippensburg	Borough	Cumberland	$8,198,554	$6,455,263	5,492
299	Gettysburg	Borough	Adams	$8,035,582	$8,392,967	7,620

The most complex budget thrown asunder by COVID-19

Socially Distant Council Meeting

This budget reflects two competing realities recognized by Town Council. First, the COVID-19 health crisis has thrown asunder the regular plans, processes, and financial assuredness of our community. While we wait for things to settle back down, Town Council must continue to invest in infrastructure and emergency services. In order to make this continued financial commitment, this budget recommends a significant reduction in cash reserves. First, cash reserves exist just for such a necessity; second, this budget recommends reasonable use of cash reserves; and, finally, cash reserves can easily be replenished if 2021 or 2022 function as years that are more typical.

Chambersburg Borough has the most complex budget in Pennsylvania.

We are unlike every other town, including big cities. Segregated from the other operations of the borough, our utility financial transactions are in over a dozen separate funds (accounts). Our unique size is due to our expansive utility operations (unmatched in Pennsylvania) and because of our complex utility support operations (internal service funds). To account properly for expenses, we use cost-based accounting. Like a law firm or doctor, many employees bill their time and equipment to the various functions upon which they are working. Money spent between the separate funds, many transactions are to cover expenses, back and forth between accounts, and thousands of internal transactions. This makes Chambersburg a unique government organization, especially in the Commonwealth.

Demonstrations on the Square

This budget includes no tax increase

With respect to taxes, it includes the same basic tax structure as all budgets in the recent past. It maintains the Police Tax, unchanged for a third straight year. It maintains the Fire Tax, unchanged for a third straight year. It maintains the Recreation Bond Tax, unchanged for its fourth year. Finally, it continues the policy proposed in the last budget, to shift emergency medical funding from the now-repealed Ambulance Tax to the newly established Ambulance Fee, begun in 2020.

With approval of this budget, Town Council can proudly explain to our constituents that in 12 of the last 15 budget years, the Borough of Chambersburg has not raised local Borough taxes. I believe this is quite an accomplishment.

Given the economic uncertainty, as a result of the pandemic, this was a necessary policy recommendation.

One can reliably say, "No real estate tax will pay for any operations of the Borough of Chambersburg other than police and fire." The Recreation Bond Tax is specifically for paying off the 2016 Recreation Bond, which is akin to a mortgage on a variety of recreation construction projects and not the operation of the Recreation Department.

Chambersburg receives no sales taxes, no liquor taxes, no business taxes, nor hotel taxes. These types of taxes are not an option under State Law. In other states, these other types of taxes are the foundation to the fiscal health of local government.

Finally, We have been mindful to propose only minor and absolutely necessary fee changes.

There is uncertainty in the local economy and therefore uncertainty in municipal budgeting

The Borough has received virtually no Federal or State assistance to ride out the financial tempest created by the pandemic. Whether it be slower tax payments, slower utility invoice remittances, or additional health and safety expenses, the Borough (and therefore by extension our taxpayers and ratepayers) have been mostly on our own. States, large municipalities, and private businesses did receive aid such as the "Paycheck Protection Program" and CARES Act grant funding. To date, no equivalent has materialized for the Borough of Chambersburg.

We received two small grants for the Ambulance Service, one from US HHS and a second is forthcoming from the State.

In 2020, due to the impact of the health crisis, the Town Council extended the deadline for the payment of real estate taxes to December 1, without discount or penalty. This delay, necessary to help property owners adjust their budgets to address the complexity of the fiscal impact of the pandemic, resulted in an unusually slow payment of real estate taxes to the Borough.

If the extra time or the economy results in larger or more significant defaults on tax obligations, this budget may become less accurate. So, one warning is that were this to manifest itself, Council would be required to address a more significant default in the payment in real estate taxes than historical trends would estimate, and additional mid-year budget decisions would then be required in 2021.

When the previous budget was created at the end of 2019, for the 2020 fiscal year, there was, at that time, no way we could imagine what was about to unfold in our community and our nation

In no other year has Chambersburg Memorial Square more epitomized the constitutional right of public assembly and free speech. We are proud to have hosted days of peaceful constitutional protest. Some citizens chose not to follow health and safety guidelines. Unfortunately, freedom sometimes results in freedom to make unwise choices. Yet, most citizens were cognizant of the health crisis while exercising their right of free speech. Controlling the rate of infection, while preserving everyone's constitutional rights, was no easy balance. The Chambersburg Police Department and our special events staff were outstanding in 2020 navigating this balancing act.

Not to overstate a cliché, but Chambersburg demonstrated how unique, special, and resilient our community could be in the face of these challenges.

We have lost citizens this year to the COVID-19 virus and businesses, schools, and community organizations have all closed, either shut down, curtailed, or become very fragile because of the crisis. Forever, these will be the lasting impacts of what occurred in 2020. Chambersburg, as a community, did things to weather the storm, protect public health, and protect our business community.

COVID-19 After-Action Report

Included in Budget document

Many organizational and operational decisions were made as a result of the State of Emergency. The Borough began meeting daily, formulating plans, and communicating via press release to the public. For example, the Borough continued to send out late notices, late fees, and disconnection notices on utility accounts. These automated systems follow local and state laws associated with the timely requirement of payment and the legal requirement of notification. We did not end the issuance of notices. However, we did suspend all utility terminations, and shut the indoor teller windows. Soon there were long lines at the drive-thru teller window. Staff mobilized to assist.

Chambersburg is the largest public power system in the Commonwealth of Pennsylvania and we operate two “generation stations” which provide electricity to the regional grid. In addition, Chambersburg is the only municipality in Pennsylvania to operate both an electric system and a natural gas utility. Utility operations must continue 24/7 even during a crisis or emergency. Workers at our buildings continued to report and work; there was no choice. Our police and fire crews instituted tough new work rules immediately. The HR Office stepped up in unbelievable ways.

Finally, we began systematic disinfection of Borough equipment and vehicles. A handful of employees began to split their time with in person and remote work via telecommuting. That was the exception. Most job functions require in-person attendance at Borough worksites. However, we did adopt a slew of new personnel policies to acknowledge new Federal work rules adopted in response to the pandemic. We had to adjust our payroll system to acknowledge federally mandated COVID leave time and remote work.

Social Justice and the Role of Municipal Government

On May 27, 2020, George Perry Floyd Jr., an African American man, was killed in Minneapolis during an arrest after a store clerk alleged he had passed a counterfeit $20 bill. A white police officer named Derek Chauvin knelt on Floyd's neck for a period initially reported to be 8 minutes and 46 seconds. This seminal incident lent additional emphasis and purpose to the local social justice movement in Chambersburg. Staff spent much of 2020 discussing how to honor this important issue.

Carley Bonk / Chambersburg Public Opinion

A protest demanding justice for George Floyd remained peaceful Monday afternoon, June 1, 2020, in downtown Chambersburg. Nikki Wilkerson, of Chambersburg, brought four young children with her to the protest. "They have to grow up in this world," she said. "If we're going to make change, we have to start by educating our children on how to see people past their skin color and treat people equally. We can't keep teaching our children to say, 'I see no color,' when we do see color. Kids just look deeper and they see what's in each other's hearts." The four kids surrounding her - Tyvin, Keller, Ruby and Serenity - are best friends, Wilkerson said.

An Outstanding Local Police Department

Chambersburg Police Chief Ron Camacho oversaw protests in the square. "First of all, we at the Chambersburg Police Department don't condone what happened in Minneapolis," he said. "Training has been around for many, many years, in reference to how to safely arrest somebody. Putting a knee on the neck, that has been a no-go for many, many years."

This year, we learned the importance of community outreach and communications.

On May 23, 2020, a peaceful rally was held in Chambersburg Memorial Square. Numerous residents and legislators rallied in on a Saturday morning to push for the reopening of Franklin County amid the coronavirus pandemic. News Talk 103.7 FM organized the rally that included Reps. Rob Kauffman and Paul Schemel, Franklin County Commissioner John Flannery and Sen. Doug Mastriano.

Days of peaceful protest occurred this year with the goal of allowing our community to maintain its dignity and its voice in these times. The Chambersburg Police acted with utmost professionalism. While the number of patients from COVID-19 grew throughout the spring and early summer, the Borough concentrated its efforts on public health and safety, both in the town square and in all operations of the Borough.

We are committed to working with Chief Camacho to enhance the tools he has to provide community policing.

Lessons learned so far…

One lesson is the need for decision making to be centralized and affirmative. Throughout the crisis, Council allowed the Borough Manager the authority to make many tough administrative and operational decisions. Without their support and my aggressiveness, easily the crisis could have resulted in chaos for Borough operations. I am grateful to the Council President and Mayor who provided me with an almost-daily sounding board on policies associated with PPE, testing, COVID leave time, facility operations, and community outreach.

Finally, Town Council had previously invested in the hiring of a full time Health and Safety employee to insure that our employees throughout the organization were meeting these important goals. As the health crisis hit, having a dedicated staff member who was knowledgeable and available to provide information, inspection, and training, was invaluable. Paul Flohr, who holds that position, quickly became an expert on CDC and PA Department of Health guidelines, supervised off-hour disinfection of buildings and vehicles, and managed individual employee cases when they or their family members were suspected of being exposed to or contracting COVID.

We owe the employees of the Borough an incredible thank you. For just coming to work despite being scared or unsure. For doing their jobs when folks were on edge. Dealing themselves with childcare issues and laid off spouses. For keeping the lights on, the town safe, putting out fires, and helping feed the children of our community.

The lesson learned, is that we have a great team in the Borough of Chambersburg.

COVID-19 Fiscal Impact

There were two main indicators that Council watched when reviewing the Borough fiscal health:

- What is the condition of revenues in the General Fund, the main governmental fund of the Borough; and
- What is the condition of receivables from utilities, the payment of outstanding utility invoices from Borough ratepayers

These two factors represent the two indicators necessary to track the health of the Borough's finances.

In summary, the general fund revenues were tracking below previous years throughout 2020, although by the end of the third quarter, less so than feared. Things were clearly weak in 2020. There was, at one point, serious concern that Earned Income Tax, Local Services Tax, and Deed Transfer Tax revenue would disappear because of the shutdown of most businesses and commerce in the spring. However, there were some very significant revenues in the first quarter of 2020, which helped the Borough get through 2020 in better shape. The first quarter was, in fact, a record quarter for revenue in the Borough. The second quarter was devastatingly bad. The third quarter was weak, but much better.

The Borough will clearly miss revenue expectations as were anticipated by the 2020 Budget.

While we will clearly have a down year overall, if real estate taxes are late (rather than not arriving at all) and if the economy continues a slight rebound (as opposed to further worsening) and with the additional help of the Ambulance Fee, we may be able to get through 2020. Of course, in any given year, the cost of operations increases to the following year. Therefore, even with very low inflation (CPI), there may still need to be tough decisions about 2021.

COVID-19 Fiscal Impact

In response to the uncertainty, I have proposed a series of moves reflected in this budget:

- Withdraw accumulated cash balances from various operating accounts of the Borough to pay for necessary capital expenditures in 2021;
- Bolster the emergency medical services (ambulance) operations with additional revenue to balance the extraordinary needs associated with the pandemic (Ambulance Fee);
- Make necessary advancements in technology for policing and community security despite the fiscal uncertainty;
- No cost of living increases for employees represented by the Chambersburg Police Officers' Association, the American Federation of State, County and Municipal Employees, and non-bargaining technical, clerical, and supervisory employees;
- Cancel the annual transfer of excess revenue from operating accounts to capital accounts, necessary to keep capital accounts well-funded for the future – thereby depleting the capital accounts for one year;
- No tax increase for property taxes for police and fire services;
- No utility rate increases except for storm sewer (see below);
- Delay the implementation of the new calculation methodology for the assessment of the monthly storm sewer pollution control fee; keep the fee a flat fee based on number of sanitary sewer connections instead, but allow the flat fee to increase to keep pace with the necessary investment in the system.

You will note in details that there will be a significant drawdown of cash reserves in the proposed 2021 Budget.

ServPro Cleaning Lobby

Proposed 2021 Budget Finances

In 12 of the last 15 budget years, the Borough of Chambersburg has not raised local Borough taxes

Borough Real Estate Tax Increases (Historical)		Increases
2007	14 years ago	No
2008	13 years ago	No
2009	12 years ago	No
2010	11 years ago	No
2011	10 years ago	No
2012	9 years ago	No
2013	8 years ago	No
2014	7 years ago	Yes
2015	6 years ago	No
2016	5 years ago	Yes
2017	4 years ago	No
2018	3 years ago	Yes
2019	2 years ago	No
2020	Last year's budget	No (slight decrease)
2021	This year's budget	No

Taxes

In 2020, Town Council repealed the Ambulance Tax. No change in taxes proposed for 2021.

Until 2014, the Borough of Chambersburg used exclusively 100% of the real estate taxes collected to support the Chambersburg Police Department. In 2014, Town Council added a small share to support the Chambersburg Fire Department. In 2018, the Borough Manager recommended, and Town Council approved, an increase in the Fire Tax for use by the Fire Department and its emergency medical service as well as an increase in the Police Tax. The 2018 increase in the Fire Tax (½ mil) was reversed out in 2020, in order to shift Ambulance funding from this tax to a broad-based fee on water service invoices. In the 2020 Budget, the Borough Manager recommended repeal of the Ambulance Tax portion of the Fire Tax and Council agreed.

Within the Borough, all the real estate taxes collected are for the Police Department and the support of the Chambersburg Fire Department; none of this revenue is used to support any other department or operation. As of 2021, we will still only use real estate taxes to support police, fire, and to pay off the 2016 Recreation Bond. No real estate tax will pay for any operations of the Borough of Chambersburg other than police and fire. No other department, operation, or employee; not parks or street maintenance or the Borough Manager are paid using real estate taxes.

Paying a tax for a bond issue, as was decided by Town Council, is not the same as paying a tax for the operation of the Borough. For example, it is a similar difference to opening a mortgage to buy a house or fix the roof, in contrast to using a credit card to pay the telephone bill. The Recreation Bond tax does not pay for the operation of the Rec Department.

Other Tax Rates Set by the State

Types of Taxes Allowed for Boroughs under State Law

Real Estate Taxes	*Various limits on type, size and use – may be changed once per year*
Deed Transfer Tax	*Set at maximum since 1987*
Earned Income Tax	*Set at maximum since 1965*
Local Services Tax	*Set at maximum since 2007*
Mercantile/Privilege Tax	*Prohibited if not adopted by 1988*
Amusement Tax	*Vending machine tax seen as nuisance in today's environment*

There are no other types of taxes allowed under State Law.

We cannot have a business tax, a liquor tax, a cigarette tax, a hotel tax, a gasoline tax, or a tax on investment income.

In fact, there is only one tax that the Commonwealth permits the Borough to adjust on an annual basis, the real estate tax, and it too comes with all types of rules and caps.

Utility Finances

In 2021, there will be almost no changes to Borough utility rates.

The Chambersburg Electric Department has had significant success driving down the cost of wholesale power. While sales have diminished significantly due to the COVID-19 shutdown of the economy, wholesale costs have come down in proportion. In 2020, the Electric Department decreased electric rates slightly to begin the year. According to our records, the department has, on average, the second lowest residential electric rates in the Commonwealth, slightly lower than our surrounding investor-owned utility. A 1.9% rate reduction, on average, resulted in the lowering of the average residential electric bill from $100.90 per month to $98.90 per month in 2020, although results will vary based on several factors including weather and home attributes. The Electric Department envisions no change to the retail electric rates in 2021.

The Water Department, the Sanitary Sewer Department, and the Gas Department envision no change in rates in 2021. There is no planned Sanitation Department rate increase in 2021. In the 2020 Budget, the Sanitation Department received a needed increase because of rising costs for personnel, vehicles, and bulky waste/e-waste recycling. This was the first such increase since 2016.

The Chambersburg Storm Sewer Utility has undergone a three-year process to change their rate structure. In the 2020 Budget, Council approved a conversion to a new rate calculation. Then, as the pandemic hit, Council reversed course, and delayed implementation of the new calculation methodology. Choosing instead to maintain the simple formula that had been in place for many years.

Storm Sewer Pollution Control Fee – Change in Course

As originally contemplated by the 2014 study that necessitated the utility's establishment, in 2020 the utility was to switch from a flat rate, per sanitary sewer connection, to a rate based upon impervious area as calculated for each non-residential lot.

This new methodology would result in a significant change for commercial, industrial, multi-family housing, and institutional customers (shopping centers, schools, churches, the hospital, etc.), which will all see significant changes in their Storm Water Pollution Control Fee. The change for single-family residential customers will not be dramatic. **Under the current system, only single-family residential customers are paying a "fair" fee.** Once the change occurs, every type of property will pay their fair share based upon their *proportional relationship* to the impervious area of a single-family residential home. Customers will need to obtain from the Borough, if their property is not a single-family residence, "how-many-single-family-homes is my property equivalent?" The new rate will be expressed in single-family resident equivalent units or ERU. This will be the new yardstick for determining what every developed property inside the Borough contributes to the operation of the Municipal Separate Storm Sewer System (MS4) operation and capital investment. This new calculation methodology is commonplace and recommended by United States Department of Environmental Protection.

With this budget, Council will now twice delay the implementation of the ERU methodology. Originally approved for July 2020, the new target date for implementation is January 2022. In 2022, the Storm Sewer Utility envisions the ERU value being set at $5 per single-family home equivalent.

Storm Sewer Pollution Control Fee – Change in Course

To prepare for the conversion in methodology, and to better fund the Storm Sewer Utility in the interim, this budget proposes an interim step to begin in January 2021.

All sanitary sewer customers will see their Storm Water Pollution Control Fee rise from a flat $4 per month to a flat $5 per month in January 2021. Yet, there will be no introduction of the impervious area (IA) calculation methodology originally planned for 2020.

This rise in the Storm Water Pollution Control Fee is necessary to maintain proper funding for the operation and capital investment in this large and neglected municipal system. Further, it is an interim step to the planned change in calculation methodology now recommended for January 2022.

We have a deadline of 2023 to complete as much work as possible to demonstrate to the State and Federal governments that Chambersburg is committed to funding, fixing, maintaining, and improving our vast storm sewer system.

This is one of the only recommended adjustments for any utility system fee in the 2021 Budget, and it is itself a compromise to hold back and delay the planned implementation of the new Impervious Area (IA) calculation methodology for the Storm Sewer Pollution Control Fee until January 2022.

Ready-to-Serve Ambulance Fee on Water Service Invoices

In 2020, Town Council introduced an Ambulance Fee on all water customer invoices. That practice will continue in 2021. On December 16, 2019, the Borough of Chambersburg adopted an Ambulance Fee by Local Law. Ambulance service is a service that the Borough maintains as ready-to-serve for the residents and visitors of the Borough. If there is a call for service at any home, business, church, park, or government building in the Borough, the Borough's ambulance service will be dispatched. A fee may be charged in exchange for the Borough Fire Department's ambulance service under State law. We provide basic lifesaving ambulance services for our community. There is a significant cost to having ambulances staffed around the clock and ready-to-serve the Borough.

This Ambulance Fee helps defray the costs of the ambulance service being ready-to-serve. It is not a tax, as under State law taxes can only be assessed on the value of real estate. Approximately 40% of property owners are exempt from paying taxes. Further, it is not the Ambulance Club. The Ambulance Club is a voluntary donation program.

For many years, the Borough has been prohibited from collecting fees invoiced to patients who are covered by Medicaid/Medicare. For example, each year the Borough is forced to "write-off" as uncollectible, due to Medicaid/Medicare rules, over $1.5 million in normal service fees that patients with third party insurance would have paid. This is in addition to almost $300,000 per year in unpaid fees for patients with no insurance or unpaid deductibles or co-pays.

Ready-to-Serve Ambulance Fee on Water Service Invoices

The Ambulance Fee is a ready-to-serve surcharge appearing as a flat per invoice fee along with every water service invoice.

Unfortunately, the ambulance service is still unable to collect sufficient revenues from use of the ambulances. Exacerbated by COVID-19, EMTs worked overtime, and we spent resources on personal protective equipment (PPE). In six weeks, during the height of the response, the ambulances ran day and night. Much of that service resulted in little or no income for the Borough.

This budget contemplates a minor adjustment to the Ambulance Fee from $7 in 2020 to $7.50 in 2021. Income from the fee will rise from $784,000 to $910,000; still far less than the $1,697,183 uncollectable in 2019.

As you will see later in the presentation, the Chambersburg Fire Department will still, even after this increase, cost significantly more to operate than all the revenue/taxes/fees it collects.

In the age of COVID-19, it is absolutely necessary that our local ambulance service have a well-funded, well-equipped, well staffed 24/7/365 operation. This is no time to force cutbacks in ambulance service.

Finally, Council should commit themselves to lobbying for common-sense EMS funding reform in Harrisburg & Washington.

Utility Finances

Utility	2018 Cost	2019 Cost	2020 Cost	2021 Cost	2021 Change	Last Changed
Electric	$100.90 per month	$100.90 per month	$98.90 per month	$98.90 per month	No change	2020 (lowered)
Water	$15.75 per month	$16.50 per month	$17.25 per month	$17.25 per month	No change	2020
Sewer	$29.50 per month	$29.50 per month	$29.50 per month	$29.50 per month	No change	2012
Gas	$631 per year	$631 per year	$631 per year	$631 per year	No change	2013
Sanitation	$18.75 per month	$18.75 per month	$20.81 per month	$20.81 per month	No change	2020
Storm Sewer	$4	$4	$4	$5	$1 per month	2017
*All water service customers will pay a $7.50 per month ready-to-serve Ambulance Fee						

Police Tax - Unchanged

In December 2017, Town Council raised the Police Tax from 23 mil to 24 mil. By keeping the rate at 24 mil, Council is committing to a steady, but manageable, rate of growth in the Police Tax rate. Overall, since December 2006, the Police Tax rate has risen from 17 mil to 24 mil. When averaged out over the fifteen years, that is a growth rate of a little over 2.4% per year. In 2021, it is the Borough Manager's recommendation that the Borough not change the Police Tax rate, currently at 24 mil.

Police Tax Rate	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Mil	17	20	20	20	20	20	20	20	21	21	23	23	24	24	24	24

Police Department Budget	2020	2021
Estimated cost of operations	$5,379,360	$5,606,645
Reimbursement from CASD for School Crossing Guards (estimated)	-$54,000	-$54,000
Estimated Yield from Fines and Fees	-$159,000	-$160,000
State Grant for Police Pension Costs	-$598,082	-$690,371
Subtotal	$4,568,278	$4,702,274
Tax Rate	24 mil	24 mil
Estimated yield of Police Tax (including tax liens & donations)	$4,605,000	$4,628,600
Estimated Expenses over Revenue	$36,722	($73,674)

In 2021, it is estimated that the Chambersburg Police Department will cost $73,674 more to operate than the revenues collected. To make the Police Tax cover this gap would have required a 0.35 mil increase (not recommended).

Fire Tax - Unchanged

In 2014, after an arbitration award, Town Council created the first ever Fire Tax. In 2018, an Ambulance Tax was added. In 2020, Town Council repealed the Ambulance Tax entirely. In 2021, it is the Borough Manager's recommendation that the Borough not change the Fire Tax rate, currently at 3 mil.

Fire Tax Rate	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Fire	0	0	0	0	0	0	0	0	2.5	2.5	2.5	2.5	3.0	3.0	3.0	3.0
Ambulance	0	0	0	0	0	0	0	0	0	0	0	0	0.5	0.5	0	0
Total	0	0	0	0	0	0	0	0	2.5	2.5	2.5	2.5	3.5	3.5	3.0	3.0

Fire Department Budget	2020	2021
Estimated Cost of Operations	$5,176,245	$5,303,087
Local Services Tax Yield (set at State Maximum)	-$840,000	-$859,000
Fire Code Inspections	-$60,000	-$60,000
Ambulance User Fees	-$2,402,100	-$2,362,100
State Grant for Fire Pension Costs (grant shifted from utilities)	-$382,766	-$492,055
Subtotal	$1,491,379	$1,529,932
Tax Rate	3.0 mil	3.0 mil
Estimated yield of Fire Tax (excluding tax liens & donations)	$614,680	$616,540
Less required transfer to the Motor Equipment Fund (State Law)	-$510,000	-$511,725
Net Fire Tax Revenue for Operations	$104,680	$104,815
Net Fire Department Operating Deficit	($1,386,699)	($1,425,117)

In 2021, it is estimated that the Chambersburg Fire Department will cost $1,425,117 more to operate than the revenues collected. The Borough of Chambersburg is not permitted to raise the Fire Tax to close this gap. To raise the Ambulance Fee to close this gap would necessitate an increase from $7.50 per month (proposed for 2021) to $19.25 per month (not recommended).

Recreation Bond Tax - Unchanged

2021 will be the fourth year of the Recreation Bond Tax. It was approved by Council in 2016. It was structured to be delayed not to begin until 2018. This tax is earmarked only to pay off the 2016 Recreation Bond, but no operations of the Borough. This was a bond sold for the capital investment in assets (the Aquatic Center, the playgrounds, and other parks projects.)

Recreation Bond Tax Rate	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Mil	0	0	0	0	0	0	0	0	0	0	0	0	3	3	3	3

Debt to increase asset value is a smart use of debt, is common in business and industry, and is actually a recommended practice. In 2021, Town Council will be faced with a similar decision to the decision they made in 2016 to sell the Recreation Bond. In 2021, the Town Council needs to decide whether or not to proceed with the reconstruction of the Borough Police Station.

The COVID-19 health crisis has delayed the Borough Police Station decision. In the 2020 Budget, Council was asked to fund the final development of plans for the project. Originally, simultaneous with the adoption of the 2021 Budget, staff anticipated the final green light and funding decision for the Police Station project. Council will make a final decision sometime next year. Later this month, Council will hear an update from the engineers on the development of the project.

If the Police/Fire Taxes are Insufficient What Makes Up the Difference?

The balance of the Police and Fire operating expenses are closed by undesignated General Fund revenue above and beyond the Police Tax, the Fire Tax, and Ambulance Fees. Every dollar of undesignated revenue used to close the gap between these revenues and the Fire Department budget is one less dollar that can be used for parks or recreation, highways or streets, or other functions such as economic development, or new initiatives in community development.

In April 2014, Moody's downgraded Chambersburg's General Obligation credit rating from Aa2 to Aa3. They stated that our financial outlook remains stable. “Chambersburg's financial position has stabilized after four years of decline, with positive operations in fiscal 2012…” They added, “Significantly increased General Fund balance and growth in available reserve levels,” would improve our credit rating. They added that they are looking for “Substantial growth in the borough's tax base and socioeconomic profile.”

Due to the COVID-19 health crisis, I am not following their advice. They wanted to see growth in available resources. Unfortunately, to address ongoing capital needs, I am suggesting a reduction and spending of available reserves. These reserves will only be spent on eligible capital investments, their proper use, but they will be liquidated nonetheless. Finally, I think we need to accept the socioeconomic profile of our community despite Moody’s concerns. By adding additional taxes in 2016 and 2018, Council addressed added costs in the General Fund without reliance on transferring money from unrelated budget areas.

What Moody’s will seek going forward is a new commitment by Council to pay for the Police Department and Fire Department budgets with Police Tax, Fire Tax, and now a new Ambulance Fee sufficient to those needs. Unfortunately, the 2021 Budget includes a continuing deficit in the operation of the Fire Department and Police Department operating budgets.

Size of Budget to Drop Due to Use of Cash Reserves

In 2021, the Borough will have an ALL FUNDS BUDGET of $97,290,280. In 2020, the ALL FUNDS BUDGET was $113,856,095. This represents a decrease of 14.5% as some large capital projects ended and other new ones were not as significant. This is the second straight year the overall budget has dropped.

In 2021, the Borough's OPERATING BUDGET will be $88,720,692. In 2020, the Borough's OPERATING BUDGET was $100,287,127. This represents a decrease of 11.5%. The Borough is continuing to cull expenses and rely more heavily on cash reserves in 2021, which diminishes the size of the operating budget.

In 2021, the Borough's GENERAL FUND BUDGET will be $16,376,676. In 2020, the Borough's GENERAL FUND BUDGET was $16,079,970. This represents a 1.8% increase, and is likely a realistic gauge of actual growth in the Borough's spending plan, given the expansion of the Fire Department’s Ambulance Fee.

Value of 1 Mil in Real Estate for Actual Property Owners

Every year, due to slight changes in the value of the real estate in the Borough, the mil rate equals different dollar payment amounts, even if the mil rate is unchanged.

In Chambersburg, in 2020, the average single-family home has a Franklin County assessed value of $17,099; obviously, that is the assessed value and not the single-family home market value.

Half of all single-family homes in the Borough have an assessed value higher, and half have an assessed value lower. Commercial, industrial and multi-family homes have different values.

According to Redfin.com, the average fair market value of all single-family homes sold in the Borough in 2020 was $199,900. There were 83 homes sold year-to-date.

Average Single Family House Inside The Borough	2020	2021
Police Tax (to the General Fund)	$410.37	$416.02
Fire Tax (to the Motor Equipment Fund)	$51.30	$52.00
Recreation Bond Tax (to the Swimming Pool Fund & General Fund)	$51.30	$52.00
Total (per year)	$512.97	$520.02

Of all the single-family homes inside the Borough, half pay more than $520.02 per year in Borough taxes, and half pay less. Commercial, industrial, multi-family property owners generally pay more. The assessed value is determined by the County.

Value of 1 Mil in Real Estate for Actual Property Owners

No government buildings, schools, charities, churches, or township property owners pay any Police, Fire, or Recreation Bond Tax on their property – in fact, about 40% of properties in the Borough are tax exempt. In addition, for many folks, 100% of this cost is deductible on your Federal Income Taxes, returned to you in your tax refund every year. Please understand the importance of the SALT (State and Local Tax) deduction, and when a Congressman talks of its elimination from Federal tax policy, understand the impact.

Most township residents contribute no direct taxes to the Borough of Chambersburg operations or funding. Unless you own property inside the Borough, or have a job inside the Borough, you pay no Borough taxes. Further, if you just have a job in the Borough you pay only $1 per week to the Borough and nothing else. In fact, almost no township residents contribute any tax money to the Borough. For example, the Sales Tax collected at stores inside the Borough all goes to support others, not the Borough. Finally, the Borough has no relationship with Chambersburg Area School District taxes or Franklin County taxes.

We are very thankful for the economic vitality that comes with being the county seat of Franklin County. We are thankful for the many non-profit businesses and institutions in our community, the payroll that supports our community, although the institutions do not directly fund police and fire services. We are thankful for our township neighbors who shop and eat in our town. However, it is not true that this economic activity adds to the available resources the Borough has to pay for Borough operations.

Value of 1 Mil in Real Estate for the Borough

The Average Single Family Home in Chambersburg will see a cumulative increase of about $8 per year or .67¢ per month in real estate taxes. There is an $8 increase because of the increased value of assessed property, which also increases the assessed value of the Average Single Family Home. Of course, your payment of taxes for your property, rather than the average home, is based on Franklin County's determination of your home's assessed value.

Among all single-family homes in Chambersburg Borough, half will pay more than $520.02 per year in Borough real estate taxes and half will pay less than $520.02 per year in Borough real estate taxes. Commercial, industrial, multi-family, and vacant land will pay based upon their assessed value as set by the County.

Total assessed value of taxable real estate, inside the Borough, for 2021 is estimated to be **$207,375,000**; up slightly from last year. Therefore, the cash value of 1 mil would equal $207,375. However, when factoring in our average collection rate for any given year, we should expect that same mil to yield $192,859. This difference is a result of the average amount of taxes remitted on time, annually, versus the total that is levied.

$207,375 ----- $206,986 ----- $192,859

Some old taxes due from previous years, get paid in the current year. Therefore, for budget purposes, **1 mil is equal to approximately $206,986 in cash**. As explained, if you assume the standard percentage of taxpayers will fail to pay their taxes, 1 mil would equal $192,859 in cash. If you assume some old outstanding tax liens from previous years may pay their debts in 2021, 1 mil might equal $206,986 in cash.

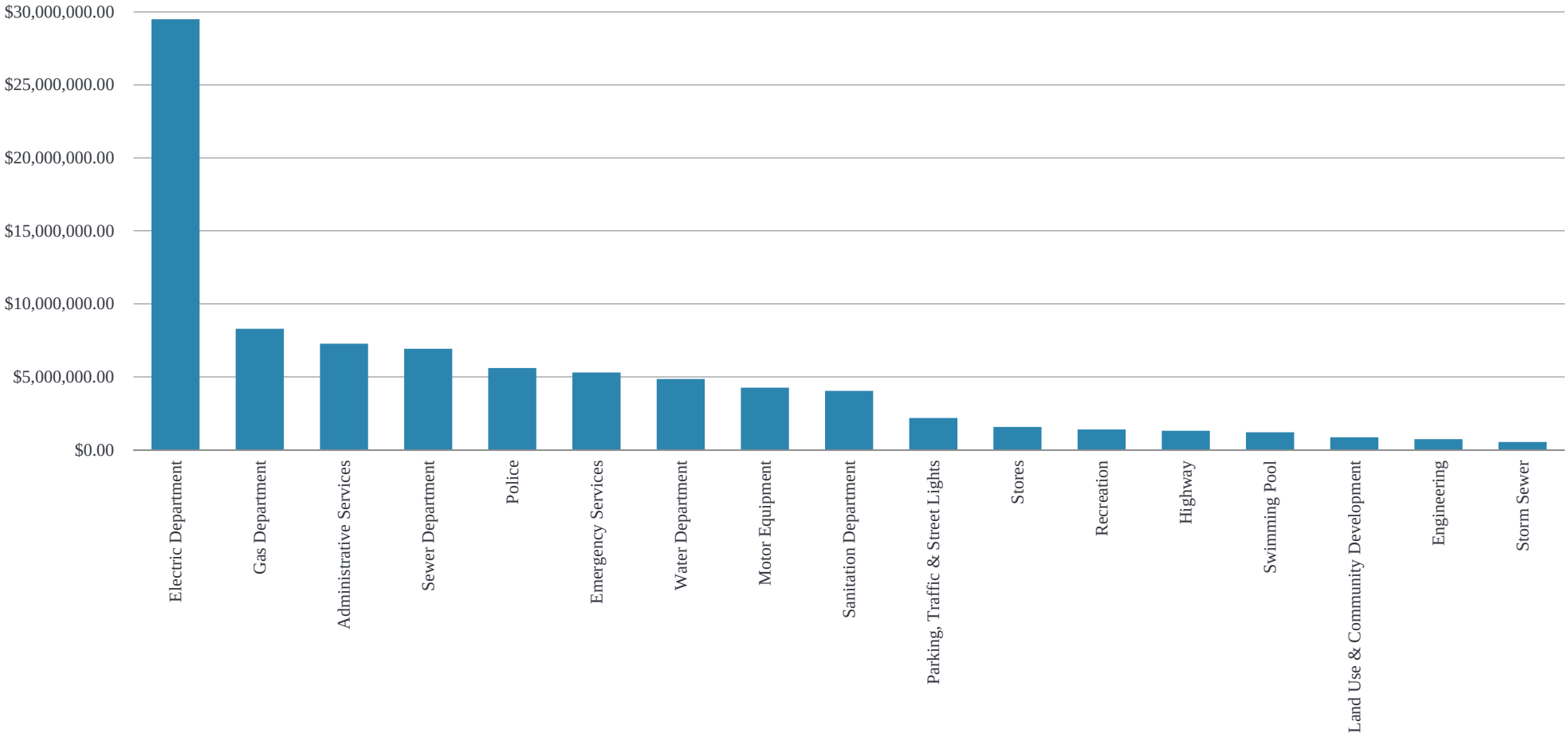
Thank goodness for the Electric/Gas PILOT Payments

The Borough Electric Department and the Borough Gas Department do pay a payment in lieu of Gross Receipts Tax to support the police, fire, recreation, and other general fund operations. We are lucky to have strong, well operating, local utilities, which are paying Payment in Lieu of Gross Receipts Taxes (PILOTs) to the General Fund. If these two departments were private corporations, they would pay taxes to the Commonwealth instead.

The Value of the PILOT Payments	2020	Property Tax Equivalent
Electric Department Payment in Lieu of Gross Receipts Tax	$1,350,000	6.55 mils
Gas Department Payment in Lieu of Gross Receipts Tax	$650,000	3.16 mils
Subtotal	$2,000,000	9.71 mils*
Percent of General Fund Budget Supported by PILOT Payments (2021)	12.21%	
How much more would the avg. single family house pay without PILOT	$168.31	More per year
*-State law limits tax levy to 6 more additional mils		

The Borough cannot wholesale move funds from utilities, kept in separate accounts, to the General Fund to pay for fire, police or parks. Nor would this be fair to utility customers. In addition, the Electric Department and the Gas Department already make a Payment in Lieu of Gross Receipts Taxes (PILOTs) to the General Fund. If these two departments were private corporations, they would pay taxes to the Commonwealth. However, as such, they are tax exempt, so instead, they pay their taxes to support your General Fund (police, fire, ambulance, highway, and recreation) activities. State law does not allow the Sewer Department to make similar payments. We could ask the Water Department to pay taxes but we have not done so in many years. These PILOTs are in addition to shared costs paid through Administrative Services.

Relative Size of Borough Departments

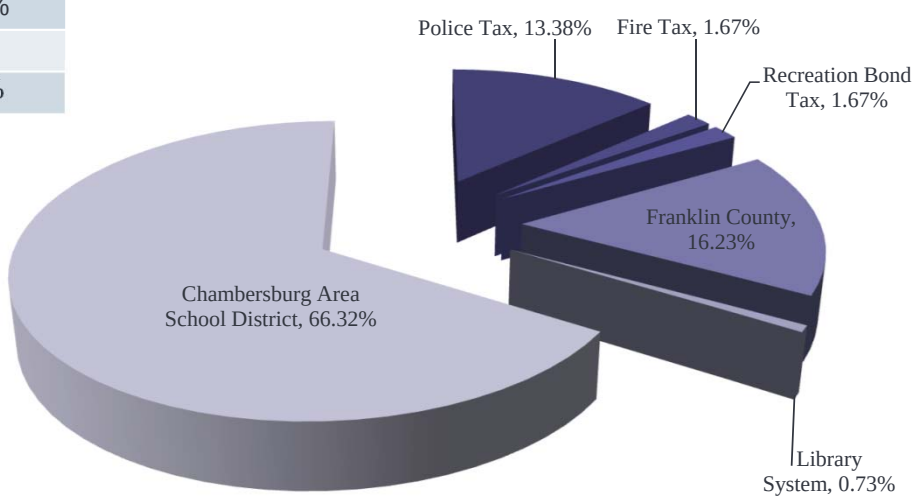


Total Tax Burden on Typical Home

	2021		
Franklin County	29.10 mil	$504.43	16.23%
Library System	1.30 mil	$22.53	0.73%
Chambersburg Area School District	118.9296 mil	$2,061.56	66.32%
Police Tax	24 mil	$416.02	13.38%
Fire Tax	3.0 mil	$52.00	1.67%
Recreation Bond Tax	3.0 mil	$52.00	1.67%
Total	179.3296 mil	$3,108.54	100%

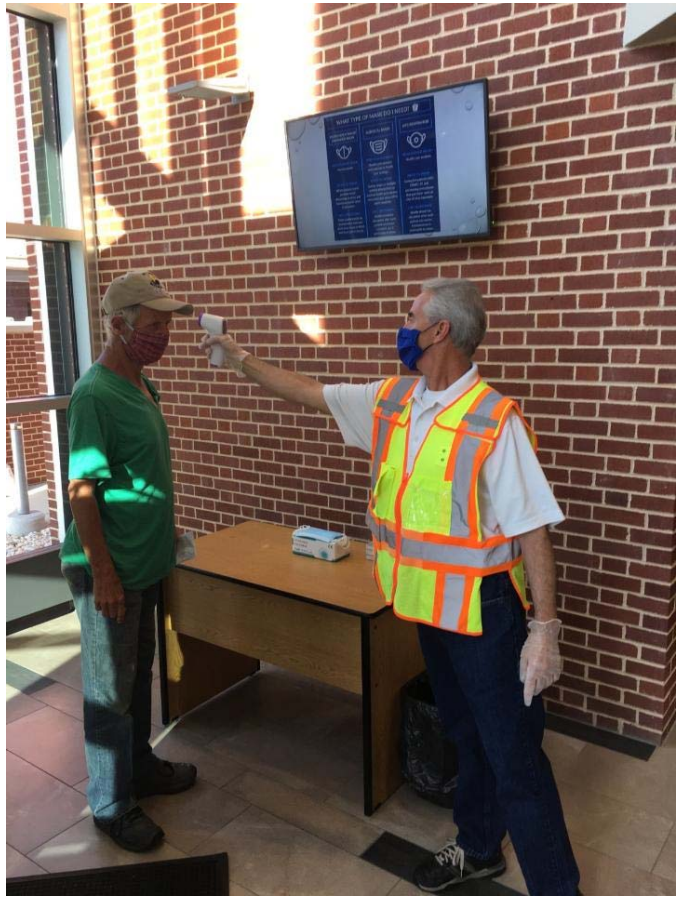
Only 17¢ of every $1 paid in real estate taxes will go to the Borough of Chambersburg. The balance, 83¢ will go to support the school district, the county, and the library system. In fact, 66¢ of every dollar goes to the Chambersburg Area School District.

Other taxing entities send their own annual tax invoices.



2021 Budget is Balanced with Use of Cash Reserves for Needed Capital Expenses and Investment

- Each separate fund of the Borough has a unique cash balance, called Fund Balance, which is reserved on an annual basis
- Some funds run higher balances than others as they accumulate resources for future capital investments
- Chambersburg is very conservative in budgeting
- We only use fund balance for investment in capital items, never to pay the bills or operations



- In two funds, the Electric Capital Fund and the Water Capital Fund, the Borough is holding proceeds from recent bond sales (2019 & 2020); those accounts can spend those proceeds in 2021
- In most years, in December, the Borough transfers excess operating cash and deposits it in corresponding capital funds; unlikely to happen in 2020
- 2021 is the reason we have cash reserves, and we are only drawing down a small portion of what's in reserve; and only for eligible capital spending

Use of Fund Balance (Proposed)

There is no use of fund balance to balance the Borough's General Fund:

	2021 Revenue	2021 Expenditures	Withdrawal/Deposit from Fund Balance
General Fund Total	$16,376,676		Balanced with $7.50 per month per water service invoice Ambulance Fee
General		$1,757,570	
Highway		$1,311,814	
Fire/Ambulance		$5,303,087	
Police		$5,606,645	
Recreation		$1,392,935	
Land Use/Community Dev		$858,685	
Community Functions		$145,940	
General Fund		$16,376,676	Balanced

Or the Electric, Gas, Water, Sewer, Storm Sewer, Stores/Warehouse, or Aquatic Center Funds

	2021 Revenue	2021 Expenditures	Withdrawal/Deposit from Fund Balance
Electric	$29,498,902	$29,498,902	Balanced
Gas	$8,296,685	$8,296,685	Balanced
Water	$4,856,858	$4,856,858	Balanced
Sewer	$6,922,243	$6,922,243	Balanced
Storm Sewer	$538,700	$538,700	Balanced with $1 per month per sanitary sewer connection increase ($5)
Stores/Warehouse	$1,570,000	$1,570,000	Balanced
Aquatic Center	$1,206,265	$1,206,265	Balanced

Use of Fund Balance (Proposed)

There is no use of fund balance to balance the Borough's Administrative Services Fund:

	2021 Revenue	2021 Expenditures	Withdrawal/Deposit from Fund Balance
Admin Services Dept. Total	$7,269,995		Balanced
Utility Addition Operations		$606,855	
Personnel & Payroll		$485,895	
Info Technology		$1,227,600	
Finance/Customer Service		$2,541,400	
Clerical Pool		$1,241,690	
General Admin & Supplies		$795,170	
Admin Cap Projects		$371,385	
Admin Services Dept. Fund		$7,269,995	Balanced

But, the Sanitation Dept. and Parking Fund are scheduled to withdraw cash reserves in 2021:

	2021 Revenue	2021 Expenditures	Withdrawal/Deposit from Fund Balance
Sanitation	$3,542,365	$4,042,365	
Sanitation Withdrawal		-500,000	New Wayne Avenue Building Development, Land, and Mortgage
Sanitation Balance After Withdrawal	As of 10-1-20 $1.1 million	Est. 12-31-20 $1 million	
Parking, Traffic & Street Lights	$1,778,525	$2,178,525	
PTSL Withdrawal		-400,000	Downtown Camera Project and Portable Camera Trailer
PTSL Balance After Withdrawal	As of 10-1-20 $1.24 million	Est. 12-31-20 $1 million	

Use of Fund Balance (Proposed)

The Motor Equipment Fund is scheduled to buy more equipment in 2021 than the proceeds it will collect in rentals. The Engineering Department is scheduled to transfer money to the General Fund for the Comp Plan Project.

	2021 Revenue	2021 Expenditures	Withdrawal/Deposit from Fund Balance
Motor Equipment	$3,638,060	$4,263,060	
Motor Equipment Withdrawal		-625,000	Vehicle rental payments banked from previous years for purchases now
ME Balance After Withdrawal	As of 10-1-20 $7.9 million	Est. 12-31-20 $8 million	
Engineering	$528,180	$728,180	
Engineering Withdrawal		-200,000	Comprehensive Plan Project
Engineering After Withdrawal	As of 10-1-20 $208,000	Est. 12-31-20 $200,000	

The Storm Sewer Capital Reserve, Sanitation Capital Reserve, and Sanitary Sewer Capital Reserve are not using balances.

	2021 Revenue	2021 Expenditures	Withdrawal/Deposit from Fund Balance
Storm Sewer Capital Reserve	$358,500	$358,500	Balanced
Sanitation Capital Reserve	$250,360	$250,360	Balanced
Sanitary Sewer Capital Reserve	$1,307,000	$969,000	Making a $338,000 deposit for future capital projects
Self Insurance Trust Fund	$920,660	$920,660	Balanced
Workers Comp Trust Fund	$475,855	$117,855	Making a $358,000 deposit for future insurance claims
Sister City Fund	$1,500	$1,500	Balanced
Project H.E.A.T. Fund	$26,275	$26,275	Balanced

Use of Fund Balance (Proposed)

The General Capital Reserve is anticipated to draw down significantly for General Fund capital needs in 2021.

	2021 Revenue	2021 Expenditures	Withdrawal/Deposit from Fund Balance
General Capital Reserve	$1,225,240	$2,051,740	
		-826,500	See list of General Capital Reserve Projects below:
General Capital After Withdrawal	As of 10-1-20 $6.59 million	Est. 12-31-20 $7 million	

Projects to be funded for General Fund departments out of reserves rather than from other funding sources:

- Miscellaneous Information Technology spending
- Glen Street Fountain
- Various Bridge Rehabilitation Projects
- Fire HQ Ramps
- Development costs associated with the Police Station project (not construction)
- Development costs associated with the South Gate project (not land acquisition or construction)
- Police body-worn-cameras (Phase 1) and new police car dash camera system
- Police radios to be funded through the Stores/Warehouse Department, but included in budget
- Recreation Center doors (Phase 2) and Recreation Department fences (Phase 1)
- Engineering and construction for paving projects not paid for by Liquid Fuels grant
- Street paving to be funded through Liquid Fuels grant, but included in budget
- Annual downtown marketing expense cosponsored with DCI
- Utility Departments Addition doors and security system

Use of Fund Balance (Proposed)

The Electric Capital Reserve & Water Capital Reserve scheduled to use proceeds from previous bond sales for projects. Therefore, these reserves come from the corresponding bond sinking fund being held for that purpose.

	2021 Revenue	2021 Expenditures	Withdrawal/Deposit from Fund Balance
Electric Capital Reserve	$158,520	$6,168,670	
Electric Capital Withdrawal		-6,010,150	Proceeds for Electric Capital Projects from the 2019 Bond
Proceeds from 2019 Bond		$6,010,150	
Water Capital Reserve	$412,056	$3,828,056	
Water Capital Withdrawal		-3,416,000	Proceeds for Water Capital Projects from the 2020 Bond
Proceeds from 2020 Bond		$3,416,000	

The Parking Capital Reserve and the Special Revenue (Grant) Account are withdrawing fund balance.

	2021 Revenue	2021 Expenditures	Withdrawal/Deposit from Fund Balance
Parking Capital Reserve	$2,690,880	$2,890,880	
Parking Capital Withdrawal		-200,000	Traffic signal equipment not funded by Federal grant & Memorial Sq. streetlights
Parking Balance After Withdrawal	As of 10-1-20 $338,885	Est. 12-31-20 $400,000	
Special Revenue (Grants) Fund	$753,630	$766,630	
Special Revenue Withdrawal		-13,000	Due to timing of grant projects and project spending in different years
Special Revenue Balance After	As of 10-1-20 $106,505	Est. 12-31-20 $110,000	

Use of Fund Balance (Conclusion)

The use of Fund Balance for capital investment is not atypical in a Chambersburg budget. What is atypical is the lack of any scheduled transfers at the end of the previous fiscal year (2020) to prepare for these expenditures.

That being said, the withdrawals are appropriate, not excessive, leave significant reserves for unforeseen expenses, and the capital accounts can be easily replenished in future years.

Not including the use of on-hand cash from the Electric Capital and Water Capital bond proceeds, the Borough is planning on using a net $2,167,900 in accumulated cash reserves.

Of the $110,720,580 ALL FUNDS budget or 1.95% of budget funded by cash reserves.

Finally, the capital investment funded in 2021 is extremely important:

2021 Budget Key Capital Projects

The following are fully funded in the Proposed 2021 Budget:

- Fire Department
  - ADA Access Ramps
- Highway Department
  - Glen Street Fountain Repairs
  - Design Improvements to 366 Wayne Avenue
  - Various Bridge Repair Projects
- Information Technology
  - New Borough-Wide Security Camera (Upgrade, Replacement, Expansion) and Fiber Optics
  - New Door and Security System for Utility Departments Addition
  - Various Server and Software Upgrades
- Parking Traffic and Street Lights
  - Traffic Signal Improvement Project
  - Traffic, Public Safety, Codes Portable Camera Trailer
  - Memorial Square Street Lights
- Comprehensive Plan Update
- Recreation Department
  - Mill Creek Acres Basketball Courts
  - Recreation Center Doors (Phase 2)
  - Parks Fences (Phase 1)
- Police Department
  - New Body-Warn Camera (BWC) and Car Dash Cam System (Phase 1)
  - Police Radios (Phase 1)
  - Design Improvements to Police Station Project
- Downtown
  - Shade Tree Request
  - DCI Marketing Share
  - Elm Street Project Fee
  - South Gate Development Costs

2021 Budget Key Capital Projects

The following are fully funded in the Proposed 2021 Budget:

Department	New Purchase	Replacing Vehicle	Cost
Admin Services	2021 Ford Ranger Truck	2008 Chevy Colorado	$32,000
Electric	2021 Ford F-150	2004 Chevy Truck	$30,000
Electric	2021 Freightliner Bucket Truck	2006 Freightliner Bucket Truck	$260,000
Electric	2021 Ford Util. Bucket Truck	Addition to the Electric Department Fleet	$120,000
Emergency Services	2021 Pierce Pumper	2004 Pierce Pumper	$750,000
Emergency Services	2021 Ford Interceptor	2013 Expedition	$55,000
Gas	2021 Ford 750 Dump Truck	Addition to the Gas Department Fleet	$95,000
Highway	2021 Dump Truck	2002 GMC Dump Truck	$130,000
Highway	2021 Vibratory Roller	1989 Lee Boy Roller	$18,000
Police	2021 Ford Explorer	2008 Dodge Charger	$43,000
Recreation	Zero Turn Mower	2011 Hustler Mower	$15,000
Recreation	Zero Turn Mower	2011 Toro Groundmaster Mower	$15,000
Sanitation	Ford F250 w/Plow	2005 Ford F350	$40,000
Water/Sewer	2021 Ford F350	2002 Ford F350	$50,000
TOTAL			$1,653,000

2021 Street Projects

Funding	Project	Cost
Liquid Fuels	Beechwood Lane/Court (Chancellor Dr. to Borough Line)	$229,716
Liquid Fuels	Guilford Ave. (S. Fourth St. to S. Seventh St.)	$218,132
Liquid Fuels	Fairground Ave. (Derbyshire St. to McKinley St.)	$104,077
Liquid Fuels	Stonegate Ct. (Stonegate Circle South to Stonegate Circle South)	$48,704
Liquid Fuels	S. Second St. (Wayne Ave. to Derbyshire St.)	$48,500
	Total	$649,129

Administrative Services Charge Back Calculation

Administrative Services Department (Back Office)

- In order to properly account for the utilities, Chambersburg operates an unusual internal service fund charge back system.
- Back office operations, typically in the General Fund, have been moved to the Admin. Services Fund to account for utility use of these services.
- The costs are charged back based upon a formula established with assistance of the auditor.

Administrative Services Department (Services)

- Customer Service & City Hall
- Accounting & Bookkeeping
- Personnel & Payroll
- Information Technology
- Clerical Pool

Administrative Services Charge Back Calculation

As with all internal service funds, other Borough departments provide all the funding for the Administrative Services Department. In order to complete the 2021 proposed budget, the Administrative Services Department is proposing the enclosed charge-back formula for its expenditures. The formula results in the following shared expenses:

Electric	33.82%
General Fund	18.17%
Sanitary Sewer	11.03%
Water	9.91%
Gas	9.24%
Motor Equipment	6.94%
Sanitation	4.96%
Parking Traffic & Street Lights	1.98%
Stores/Warehouse	1.26%
Aquatic Center*	1.19%
Engineering	0.84%
Storm Sewer (MS4)	0.64%
TOTAL	**100.0%**

Based on actual 2019 expenditures by department

* - 2020 was the first year that the Aquatic Center has paid their fair share of expenses

Looking to the future requires planning for personnel changes

Personnel Changes Proposed in 2021 Budget - 1

Add 1 new position to the Administrative Services Department – Information Technology: In 2020, Council elected to stop the implementation of Harris' ERP Software. This decision was challenging as considerable organizational resources were spent on this move. In the time since this decision was made, staff has begun to evaluate alternatives to one organization-wide software solution. Those alternatives include improvements to existing software packages and exploring task-specific or department-specific packages. In order to accomplish this new initiative, it is recommended that a second *Programmer* be added to the IT Office. This addition is included in the proposed 2021 Budget.

Replace the Personnel Supervisor Position with a New Director of Administrative Services: In 2020, the Personnel Supervisor resigned. During recruitment, it became clear that the current position was not sufficiently scoped to find a successful replacement. To accomplish increasing the grade of the job, it is recommended instead that a *junior Department Head* be recruited to be the administrator of both Personnel and Information Technology. This change would be net neutral in number of positions or impact on the 2021 Budget.

Add 1 new position to the Administrative Services Department – Personnel & Payroll: Due to almost complete turnover in the Personnel Office, it is recommended that an *Assistant Supervisor* position be added to Administrative Services and a seasoned professional with H.R. experience be added to the overall staffing. This addition is included in the proposed 2021 Budget.

Personnel Changes Proposed in 2021 Budget - 2

Add 2 new positions to Electric Department: the line crew is becoming older and it takes years for junior employees to learn the skills and become accustomed to work on electric systems. To that end, the 2021 Budget includes a proposal to add two additional *Ground Worker* positions, which are the entry level Line Crew job slots. This is included in the 2021 Electric Department budget proposal.

Add 1 new position to the Parking, Traffic and Street Lights Fund: In 2021, there are two related projects which will necessitate additional technical assistance. First, the Borough is about to undertake an extensive upgrade and interconnection of all traffic signals. While this will be accomplished by a contractor, paid for with a Federal grant, once the installation is complete the new equipment will become a Borough maintenance responsibility. In addition to a significant amount of new computer, software, cameras, and fiber optic equipment associated with traffic signals, the Borough is about to undertake an extensive upgrade, replacement, and expansion of our public security camera network. An additional *Technician* to install and maintain cameras is a necessary investment. This addition is included in the proposed 2021 Budget.

Personnel Changes Proposed in 2021 Budget - 3

Add 2 new positions at the Waste Water Treatment Plant: A staffing evaluation of the sewer operation recommended moving the sludge hauling operation in-house (currently outsourced) in order to save on the expense of contract hauling. To accomplish this reorganization, one additional *Waste Water Pit Supervisor* position is required. This addition is included in the proposed 2021 Budget.

In addition, the sewer plant is planning on creating a path for succession of management personnel as they approach retirement. In order to have sufficient personnel moving up through the different tiers of management at the facility, it is recommended that an *Assistant Chief Operator* job be added at the Waste Water Treatment Plant. This addition is included in the proposed 2021 Budget.

Extra personnel in the Administrative Services Department – City Hall & Customer Service: We have found that personnel on the Front Counter tend to move on to other clerical positions throughout the organization or move on due to the extreme pressure of the job responsibilities. In 2020, the Borough increased the Front Counter staff with two (2) *Bilingual Front Counter Teller* job slots. Overall, no additional increase is anticipated in 2021, however, due to the need to be proactive, additional probationary tellers will be occasionally hired in advance of other tellers moving on. This is accounted for in the 2021 Budget.

Personnel Changes Proposed in 2021 Budget - 4

Extra personnel in the Fire Department: The Chambersburg Fire Department currently has one opening for a probationary firefighter. In addition, five (5) other firefighters (out of 23) are currently at or near eligibility to retire. It takes up to nine months to recruit and train a probationary firefighter. The next possible hire date (due to the infrequency of the HACC Fire Academy class schedule) is spring 2021. To that end, additional probationary firefighters (more than one, but less than six, will be hired in advance of other firefighters retiring. This is accounted for in the 2021 Budget.

In addition, the Fire Department Office Manager has announced her upcoming retirement. As a result, before she departs, a replacement will be added to the department to allow overlap and training. This is accounted for in the 2021 Budget.

Union Contracts in 2021 Budget

Chambersburg Borough Employee Unions Accept No Raises For 2021: In a series of negotiations that took place over the past several months, two of the Borough's employee unions accepted no cost of living increases for the 2021 fiscal year as a result of the COVID-19 health emergency and the unknown potential impact our finances. On July 13, the uniform police officers represented by the Chambersburg Police Officers Association approved an extension to their contract, which would have expired at the end of 2020. On September 29, the non-uniform employees, mostly utility workers and utility support workers, represented by the American Federation of State, County and Municipal Employees Local #246, approved an extension on their contract, which would have expired at the end of 2020. The two extensions, approved by votes of the rank and file and ratified by Chambersburg Town Council, extended the current union contracts for two more years, 2021 and 2022. They provide a 0% cost of living increase scheduled for 2021. The AFSCME agreement provides and a one-time "essential employee recognition incentive" of $800 to be paid either in January 2022 or upon retirement, if they retire before that date. Generally, when the union and Council strike a deal, Council extends the details of that labor agreement to the non-union employees of the Borough. Those employees would include the clerical, technical, and supervisory employees such as department heads, assistants, and field supervisors. This 2021 Budget assumes that these non-union employees will also receive a 0% cost of living increase in 2021.

Career firefighters represented by the International Association of Fire Fighters Local #1813 are scheduled to receive a 1.95% cost of living increase pursuant to a previous agreement

In 2021, the Borough's new community Solar energy project is scheduled to be constructed

In 2021, the South Gate Redevelopment Initiative Will Be Underway

Chambersburg 2021

Continue the multi-year process of updating the Borough's Comprehensive Plan - Use Citizen Engagement and Public Outreach to Involve the Community in the Planning Process

No Tax Increase – Funding the Ambulance Service During a Pandemic

Sustainable PA Community Certification – Development of Community Solar Facility – Storm Sewer Projects

The Police Station Renovation Project – The Traffic Signal Replacement Project – The South Gate Project – The new Public Works Facility Project

Questions?

The full budget and a summary with this presentation will be on the Borough's Transparency Page by the end of this week.

Council to advertise the budget on November 9

Council to accept public comments on November 9 and November 23

Council to vote on budget on December 14

Thanks....